



**COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER**

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September 16, 2009

TO: Supervisor Don Knabe, Chairman
Supervisor Gloria Molina
Supervisor Mark Ridley-Thomas
Supervisor Zev Yaroslavsky
Supervisor Michael D. Antonovich

FROM: Wendy L. Watanabe
Auditor-Controller

SUBJECT: **LOS ANGELES COUNTY OFFICE OF EDUCATION COUNTY
CONTRACT REVIEW – A DEPARTMENT OF PUBLIC SOCIAL
SERVICES CALWORKS SUPPORT SERVICES PROGRAM PROVIDER**

We have completed a program, fiscal and administrative contract review of Los Angeles County Office of Education (LACOE or Agency), a Department of Public Social Services (DPSS) CalWORKs Support Services Program (CalWORKs) provider.

Background

DPSS contracts with LACOE to provide and operate the CalWORKs Support Services Program. The services include counseling, guidance, skills and needs assessments, workforce readiness, career awareness/exploration and job retention activities to assist participants in obtaining and retaining employment. LACOE subsequently subcontracted with a total of 12 school districts and regional occupational program centers to provide direct program services. LACOE's program sites are located in all Supervisorial Districts.

LACOE is compensated on a cost reimbursement basis. DPSS paid LACOE approximately \$671,000 during Fiscal Year (FY) 2007-08.

Purpose/Methodology

The purpose of our review was to determine whether LACOE complied with the contract terms and appropriately accounted for and spent CalWORKs funds in providing the services outlined in their County contract. We also evaluated the adequacy of the Agency's accounting records, internal controls and compliance with federal, State and County guidelines. In addition, we interviewed a number of the Agency's staff and clients and/or their parents/guardians.

Results of Review

The program participants met the eligibility requirements for the CalWORKs Support Services Program. However, LACOE did not maintain adequate documentation in seven (12%) of the 60 case files reviewed to support the program activities and hours billed to DPSS.

Generally, LACOE's expenditures were allowable and properly documented. However, LACOE did not always comply with the County contract requirements. Specifically, LACOE did not provide adequate documentation to support \$923 in subcontractor payroll costs. In addition, LACOE did not ensure that timecards were signed by the employees and approved by their supervisors.

Details of our review along with recommendations for corrective action are attached.

Review of Report

We discussed our report with LACOE on June 16, 2009. In their attached response, LACOE management concurred with our findings and recommendations. We notified DPSS of the results of our review.

We thank LACOE for their cooperation and assistance during this review. Please call me if you have any questions or your staff may contact Don Chadwick at (213) 253-0301.

WLW:MMO:JET:DC:AA

Attachment

c: William T Fujioka, Chief Executive Officer
Philip L. Browning, Director, Department of Public Social Services
Donald Kenneth Shelton, Assistant Superintendent, Business Services, LACOE
Lupe Delgado, Assistant Superintendent, Education Services, LACOE
Patricia Smith, Controller, LACOE
Public Information Office
Audit Committee

**CalWORKs SUPPORT SERVICES PROGRAM
LOS ANGELES COUNTY OFFICE OF EDUCATION
FISCAL YEAR 2007-08**

ELIGIBILITY

Objective

Determine whether the Los Angeles County Office of Education (LACOE or Agency) provided services to individuals that met the eligibility requirements of the CalWORKs Support Services Program (CalWORKs).

Verification

We visited six program sites and reviewed the case files for 60 (6%) of the 1074 program participants that received services from January through March 2008 for documentation to confirm their eligibility for services.

Results

All 60 program participants met the eligibility requirements for the CalWORKs Support Services Program.

Recommendation

None.

PROGRAM SERVICES

Objective

Determine whether LACOE provided the services in accordance with the County contract and CalWORKs guidelines. In addition, determine whether the program participants received the billed services.

Verification

We reviewed the documentation contained in the case files for 60 program participants that received services from January through March 2008. We also interviewed 15 participants.

Results

The program participants interviewed stated that the services they received from LACOE met their expectations. However, LACOE did not maintain adequate documentation in seven (12%) of the 60 case files reviewed to support the services

provided. Specifically, the case files did not always include case notes, logs and sign-in sheets. Our prior review also noted that LACOE did not always ensure that participants' case files adequately support the services provided.

Recommendation

1. LACOE management ensure that participants' case files adequately support the services provided.

STAFFING QUALIFICATIONS

Objective

Determine whether LACOE's staff possessed the qualifications required by the County contract.

Verification

We reviewed the personnel files for seven LACOE and six subcontractor employees to confirm staff qualifications.

Results

LACOE's staff and the subcontractor employees possessed the employment eligibility verification, training, reading, writing and language requirements identified in the contract.

Recommendation

None.

PERFORMANCE OUTCOMES

Objective

Determine whether LACOE met the planned performance measures as outlined in the County contract and reported the performance outcomes to the Department of Public Social Services (DPSS). The performance outcomes included measuring participants' attendance, progress and completion of the course/program. The performance outcomes also included a 90% participant satisfaction rate with the services provided.

Verification

We reviewed LACOE's performance outcome report and reviewed the results of 10 participant surveys conducted by DPSS.

Results

LACOE's performance outcome reports included all the required information and the participants were satisfied with the services provided.

Recommendation

None.

CASH/REVENUE**Objective**

Determine whether cash receipts and revenue are properly recorded in the Agency's financial records and deposited timely in the Agency's bank account. In addition, determine whether the Agency maintained adequate controls over cash.

Verification

We interviewed Agency personnel and reviewed financial records. We also reviewed the Agency's bank reconciliations from January through March 2008.

Results

LACOE maintained adequate controls to ensure that revenue was properly recorded and deposited in a timely manner.

Recommendation

None.

EXPENDITURES/PROCUREMENT**Objective**

Determine whether program-related expenditures are allowable under the County contract, properly documented and accurately billed.

Verification

We interviewed Agency personnel, reviewed financial records and other documentation for 12 non-payroll expenditures totaling \$14,561 billed by the Agency from January through March 2008.

Results

Generally, LACOE's expenditures were allowable and properly documented. However, the Agency did not provide adequate documentation to support \$923 in subcontractor's payroll costs. The subcontractor did not maintain timekeeping records or other documentation to support the hours billed. Our prior review also noted that LACOE did not always maintain adequate supporting documentation for expenditures billed to the CalWORKs Program.

Recommendations

LACOE management:

2. Repay DPSS \$923.
3. Maintain adequate supporting documentation for expenditures billed to the CalWORKs Program.

ADMINISTRATIVE CONTROLS/CONTRACT COMPLIANCE**Objective**

Determine whether the Agency maintained sufficient controls over its business operations. In addition, determine whether the Agency is in compliance with other program and administrative requirements.

Verification

We interviewed Agency personnel, reviewed their policies and procedures manuals, and conducted on-site visits.

Results

LACOE maintained sufficient internal controls over its business operations.

Recommendation

None.

FIXED ASSETS AND EQUIPMENT**Objective**

Determine whether LACOE's fixed assets and equipment purchases made with CalWORKs funds are used for the CalWORKs Program and are safeguarded.

We did not perform testwork in this section as LACOE did not use CalWORKs funding to purchase fixed assets or equipment.

PAYROLL AND PERSONNEL

Objective

Determine whether payroll expenditures are appropriately charged to the CalWORKs Program. In addition, determine whether the Agency obtained criminal record clearances and verified employment eligibility for the staff assigned to the CalWORKs Program.

Verification

We traced the payroll expenditures invoiced for six employees totaling \$21,350 for March 2008 to the Agency's payroll records and time reports. We also interviewed staff and reviewed six personnel files for staff assigned to the CalWORKs Program.

Results

LACOE appropriately charged payroll expenditures and obtained criminal record clearances for staff assigned to the CalWORKs Program. However, LACOE did not ensure that timecards were signed by the employees and/or approved by their supervisors. Specifically, ten (91%) of the 11 timecards reviewed were not signed by the employees and five (45%) of the 11 timecards reviewed were not approved by their supervisors.

Recommendation

4. LACOE management ensure timecards are signed by the employee and approved by their supervisor.

COST ALLOCATION PLAN

Objective

Determine whether LACOE's Cost Allocation Plan was prepared in compliance with the County contract and that the Agency used the Plan to appropriately allocate shared program costs.

Verification

We reviewed LACOE's Cost Allocation Plan and reviewed a sample of expenditures incurred by the Agency from January through March 2008 to ensure that the expenditures were properly allocated to the Agency's programs.

Results

LACOE's Cost Allocation Plan was prepared in compliance with the County contract and the costs were appropriately allocated.

Recommendation

None.

CLOSE-OUT REVIEW

Objective

Determine whether the LACOE's Fiscal Year (FY) 2006-07 final close-out invoices reconciled to the Agency's financial accounting records.

Verification

We traced LACOE's FY 2006-07 invoices to the Agency's financial accounting records.

Results

LACOE's final close-out invoice for FY 2006-07 reconciled to the Agency's financial records.

Recommendation

None.

PRIOR YEAR FOLLOW-UP

Objective

Determine the status of the recommendations reported in the Auditor-Controller's prior monitoring review.

Verification

We verified whether the outstanding recommendations from the FY 2006-07 monitoring report were implemented. The report was issued on April 7, 2008.

Results

The prior year monitoring report contained four recommendations. As indicated earlier, the findings related to recommendations one and three were also noted during the prior monitoring review.

Recommendation

5. LACOE management implement the outstanding recommendations.



Darline P. Robles, Ph.D.
Superintendent

Los Angeles County Office of Education

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August 3, 2009

Ms. Wendy Watanabe
Auditor-Controller
500 West Temple Street, Room 525
Los Angeles, California 90012-2766

Dear Ms. Watanabe:

AUDIT RESPONSE, CONTRACT NO. CMD-033-06: LOS ANGELES COUNTY OFFICE OF EDUCATION

Our office has received the draft copy of your findings from a fiscal review for the Los Angeles County Office of Education (LACOE), a Department of Public Social Services (DPSS) CalWORKs Support Services Program (CalWORKs) Provider. We have carefully reviewed your findings and responded to each one of your recommendations as shown below.

EXPENDITURES/PROCUREMENT

Recommendation:

LACOE management:

1. Ensure that staff maintains appropriate documentation in the participants' case files to support the services provided.

LACOE's Response:

The documentation provided for all twenty-four (24) cases, was consistent with the requirements recommended by the former DPSS contract monitor, and incorporated in the job coach checklist provided to you during the audit. However, we will work with the current contract monitor to ensure the recommended documentation is included in the participants' case files.

Ms. Wendy Watanabe
August 3, 2009
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Recommendations

LACOE management:

2. Repay DPSS \$923.
3. Maintain adequate supporting documentation for expenditures billed to the CalWORKs Program.

LACOE's Response

LACOE will submit payment in the amount of \$923. LACOE has taken steps to address the sub-recipient monitoring concern referenced in this finding.

Recommendation

4. LACOE management ensure that participants' case files adequately support the services provided.

LACOE's Response:

LACOE and DPSS monitors worked very closely to address this and other concerns with the specific sub-recipient agencies involved. LACOE has put a plan in place to contractually enforce sub-recipient compliance. We will continue to implement this plan to ensure compliance.

PAYROLL AND PERSONNEL

Recommendation

5. LACOE management ensure timecards are signed by the employee and approved by their supervisor.

LACOE's Response:

Per OMB Circular A-87, the employee and/or someone with first-hand knowledge of the assignment can verify time accounting. The time cards for the hourly staff referenced in this finding, were properly signed by either the staff or supervisors, but not always both. This time card is in addition to "time sheets" which, are signed by program managers and division directors, as applicable. These time sheets are the basis for payroll processing. LACOE, as a matter of policy, continuously reviews and looks for, ways to improve its internal controls inclusive of the recommendation.

Ms. Wendy Watanabe
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PRIOR YEAR FOLLOW-UP

Recommendation

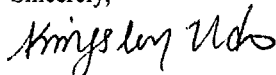
6. LACOE management implement the outstanding recommendations.

LACOE's Response

LACOE management has reluctantly notified DPSS of its intention to discontinue this program, effective immediately. LACOE has determined that the available funding is insufficient to effectively run the program and perform up to LACOE's and funding agency standards.

If you have any questions, please contact me at (562) 803-8207.

Sincerely,



Kingsley Udo
Financial Operations Team Leader
Grants Project Management
Controller's Office

KU/SM:clc

cc: Ms. Patricia Smith, Controller
Mr. James Benavides, Assistant Program Director
Ms. Lupe Delgado, Assistant Superintendent, Education Services
Mr. Donald Kenneth Shelton, Assistant Superintendent, Business Services